



THE BUDGET SOLUTION: 2009-2010

IT PROCUREMENT REFORM

REDUCING COSTS, ENHANCING EFFICIENCY, REALIZING BENEFITS

California must improve its processes for procuring large information technology systems. Inexperienced purchasers, multi-year procurements, swiftly changing technologies, too many back-and-forth approvals, multiple rewrites of requirements and outdated laws and policies have resulted in inordinate delays, an inefficient use of state resources, skyrocketing costs and a stagnant technological environment for the state. By coordinating and streamlining how the state designs and contracts for major technology projects, the Governor's proposal will cut the procurement process in some cases down from five years to about one – reducing costs and enhancing revenue collections by more than one hundred million dollars.

The Solution:

The Governor has proposed a series of process and legislative changes (included within the 2009-10 budget), that when implemented will generate project benefits earlier, avoid costs and aid in the modernization of the state's technology environment.

Legislative Changes

As a part of the 2009-10 budget, the Governor has proposed the following changes to existing state procurement law:

- **Phased Procurement:** Allow for the contracting of separate phases of a single procurement. Contracting with two or more providers to build a pilot of the eventual system allows the State to validate requirements, test functionality, and work directly with potential providers prior to making a final selection.
- **Burdensome Requirements – reducing costs and increasing competition:** Authorize the Department of General Services (DGS) to withhold a percentage of the contract price based upon the evaluation of risk. Existing law requires that DGS withhold a minimum of 10 percent of the contract price. The current requirement increases contracting costs and results in fewer bids. Eliminating this requirement will reduce costs and increase competition for IT contracts.
- **Disabled Veteran Business Enterprise (DVBE) Contracting:** Eliminate the requirement that bidders make a good faith effort to perform DVBE participation requirements. This deletion will actually increase DVBE participation by requiring a bidder to meet the contractual DVBE goal (i.e. three percent of the bid price) and will also eliminate the need for state departments to review large volumes of paperwork that does not necessarily enhance DVBE participation goals.

Policy Changes

- **A Request For Information (RFI) Process Should Be Implemented:** The Governor's proposal would require an RFI stage to align program requirements with available market solutions, before any solicitation documents are created.
- **Make a Number of Changes to IT Procurement Policy:** These include many technical issues such as: when qualifications are verified; how RFP requirements are written; the use of templates for various components of the RFPs; allowing price negotiations to occur early in the process; and the pre-qualification of bidders ahead of RFP solicitations.

Benefits

- Accelerating tax revenues by more than \$160 million over five-years through an innovative data analysis system at the Franchise Tax Board
- Enhancing the transparency of state spending and reducing costs by modernizing the state's aging financial systems

- Improving state services for residents and businesses, while reducing operating costs through the automation of state services and processes